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# News and Views

## from the Farm Management Staff



UNITED STATES DEPARTMENT OF AGRICULTURE  
FEDERAL EXTENSION SERVICE  
Division of Agricultural Economics Programs  
Washington 25, D. C.

July 10, 1956

Dear Farm Management Extension Workers:

### The Soil Bank - A Management Decision for Farmers

After months of study and debate the soil bank has become a reality and the administrative rulings for the acreage reserve have been written and passed along to local administrators. The conservation reserve administrative rulings will be out soon. At this point the farmers take over. The degree of success of the soil bank will largely depend on the amount of land farmers put into the acreage and conservation reserves. Farmers will make their decisions mostly on the basis of what they think the effects of putting land into the soil bank will have - at present and in the future - on their net family income. Of course, this cannot be strictly a 1-year decision since long-run price and fertility improvements must be considered also.

The opportunity to participate on 1956 crops will be over soon. Due to the shortness of time this program has been carried out in a more or less emergency manner. Although Extension is cooperating across the country in the educational program, time has limited the work that can be done. The rulings are being developed for the 1957 program and many more farmers will be confronted with decisions as to the management of their farms in the light of the soil bank.

It would seem that Extension has a twofold responsibility to farmers. The first one is to cooperate with other agencies to help farmers understand the laws, regulations and administrative rulings so that they know what their opportunities are to participate. This will need to be a broad educational program that is attacked on many fronts.

But surely Extension has a responsibility and opportunity here to do more than merely bring the information to farmers. The second role that Extension can carry is that of helping families understand how to evaluate these opportunities on their individual farms. Finally, how much land to put into the soil bank becomes a management decision. Farm management workers will have a big job to do this fall and winter in carrying out an educational program that will enable farmers to consider effectively the effect on family goals of various degrees of participation in the soil bank and in making business adjustments in light of it. In addition, this work may form a handle that can be used to teach farmers decision-making techniques that will have much application to management decisions in addition to the soil bank.



If we agree that this will be an important problem area to farmers this fall and winter, then it is time for us to sharpen up our tools. Most States have a tool in the partial budget that can be readily adapted for this purpose. Some farm management workers are already doing effective work budgeting out the effect on income of various degrees of soil bank participation. Budgeting out typical farms calls for detailed cost figures on various crops. In making this short-run decision and within the limits of participation permitted in the acreage reserve, only variable costs need to be considered. This calls for a different distribution of costs than we usually use. Of course, other factors enter into the decision such as the reduction of risk, the release of capital and labor and the alternative uses for them, the change in gross income as a result of participation, the value of leisure, etc. However, although these factors are a part of the decision, the variable costs that are escaped by soil bank participation are necessary to the determination of the effect on net income.

Since participation in the conservation reserve is of a longer-run character, costs that were fixed in the short run may become variable. A close analysis will be needed to determine which costs will be affected. A greater degree of reorganization may be required and the possible improved capital value of the land may have to be given greater weight than in the case of the acreage reserve. We will appreciate knowing your experiences along this line.

#### Better Inventories of Needed Farm Management Extension Work?

The need for farm management extension work is of interest to both extension and research economists. Also, as we all know, there are plenty of expressions of this need at the grassroots.

Talk with almost any farm or ranch operator for half an hour and like as not he will mention a dozen farm management problems. Talk with county agents and they, too, bring up many questions that involve the economics of practices; the economics of enterprises; or the economics of the operating unit as a whole. Fieldmen in many types of public and private jobs in agriculture are constantly dealing with many economics problems of investment, costs and returns, etc.

Usually, at any one time, we have an inventory of a part of these grassroots problems; some research information; and some extension work under way. But our picture of the farm and ranch situations with which we are working is often very incomplete. Farm and ranch management problems are very dynamic - and very localized by areas. The very practical and very pressing nature of these problems - and the extent to which they are being discussed locally - is probably not fully evident either to ourselves or our administrators.

In view of this rapidly changing agricultural picture, it would appear that one way to strengthen our farm management extension work is by building up a better inventory of these needs.

There are many ways of going about this. In the past the most common way has been to prepare a short generalized statement once a year as a part of the annual plan of work. Sometimes special statements are prepared for administrators or as part of committee work.

Some State men are supplementing such usual "needs statements" by maintaining a folder in which they accumulate notes from research reports and field trips, excerpts from county agents' reports, comments from meetings, etc.

County agents' letters often contain requests or comments not all of which can be handled currently but which are well worth listing in a "work opportunity" or "work needs" inventory.

Many farm management economists maintain close contacts with the work of their colleagues in research, as a source of information on the specific scale and character of grassroots problems.

In one State the extension farm management specialist and the head of the Department of Agricultural Economics arranged a series of district conferences with county agents at which special attention was given to inventorying the needs for farm management and other economics work as the agents saw it.

In at least one State the extension economists meet once a year with a farmer advisory committee brought together by the county agent for the purpose of discussing farm management problems and developing a program of farm management work.

Out of a series of district program projection meetings one extension economist accumulated a list of 75 questions and comments which suggested important opportunities for extension economics work. In fact, the local area analysis involved in program projection is a most fertile source of ideas and information.

Whatever the methods or combination of methods used in assembling an improved inventory of grassroots problems and accompanying needs for work on them, such a picture is likely to be of much use in discussing opportunities for economics work with our administrators and in planning and carrying out our specific program activities.

#### Needed Economic Research

In the never-ending parade of new ideas and technologies that need economic research, we have been receiving questions about two in particular. One is the "Economics of Minimum Tillage," and the other is the "Economics of Irrigation." The need for research in humid regions has been increasing. The enclosed statement, "Tooling Up For the Future," by Byron T. Shaw, Administrator of Agricultural Research Service, recognizes the increasing need in these areas.\* We will keep you informed of any work we see on these topics and we will appreciate your sending us any work that your State is doing so that we may keep others informed.

#### New Ideas and Methods

Farm and Home Development Workbooks. A revised farm and home development workbook has been recently developed in Ohio. It has two new features that strike us as having merit. The first is arranging the book around four sections. These are:

- Sec. 1 - Sizing up the present family situation.
- Sec. 2 - Forms for selecting an attainable plan for living, farming and homemaking.
- Sec. 3 - Our Selected Plan.
- Sec. 4 - How to put the plan into action.

The second feature is using different colors for each section to make them easily identified.

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\* Limited copies enclosed.



We like the section idea because by keeping in mind what the section is designed to do it should help to give meaning to the workbook. The forms are then not just so many forms to a family but each form is designed to serve them in a special way and the sections provide the key.

We also like the idea of separating the forms (Sec. 2) where the decisions are being made with respect to the plan from (Sec. 3) where the plan is merely recorded. This system invites the testing of alternatives.

Congratulations to Ohio!

### Two New Studies of Intermediate Credit

Borrowed money, at least as measured by dollars, is more important in farming today than ever before. While real estate mortgage loans are about 17 percent below the highest point reached in 1923, larger amounts of other loans make the total debt greater.

This is not an indication in the main of an unhealthy situation, but the natural result of the use of more capital in farming. The annual operating costs are usually two to three times what they were around 1940, and the borrowings to meet them have gone up in proportion. Renewals and refinancing into the farm mortgage form, however, are somewhat heavier than usual.

Part of these renewals are due to the price cost squeeze, part to the vagaries of weather and family misfortunes, part were planned when the loans were made. Lenders as well as borrowers know that ordinarily loans to buy expensive machinery and equipment, or make major improvements to land or buildings, will not be fully repaid the first season.

The Federal Reserve System and the Farm Credit Administration are cooperating in making an extensive study of loans made to farmers by commercial banks and production credit associations. The data gathered should show how well or ill these institutions are meeting farmers' needs for credit, particularly intermediate term financing.

In the meantime, as always, the handling of its finances involves the farm family in some of its major management decisions. The frequency with which the problem is raised in farm and home improvement programs, as well as the growing number of calls from others, emphasizes the importance of this question.

Joint activities by lender groups and extension workers are being used to further inform each other and keep the thinking of creditors and educators reasonably close together. They should thus be in better position to inform and serve the farmer.

### You Should See

Study of Family Financial Planning. A progress report is now available on a study of financial planning among rural families in a central Pennsylvania community. This should be of vital interest to all farm management workers, as it gets into some of the thinking of farm people about goals, patterns of spending, etc. It is Research Publication 134, College of Home Economics, Pennsylvania State University, University Park, Pa.

Farm Business Contracts and Operating Agreements. Marvin Kottke of Connecticut has recently prepared a 20-page mimeographed statement on "Farm Business Contracts and Operating Agreements." It is well illustrated with examples of how different agreements have been worked out. It carries the number 56-20, May 1956.

Maine's Poultry Industry. Anyone interested in the competitive position of various poultry producing areas should write the Maine Extension Service for this new Bulletin 450, May 1956, on "Maine's Poultry Industry." It is a popularly presented and well-illustrated 12-page publication.

Planned Farming Pays. The results of the planning work done on New England dairy farms by Harvard University in cooperation with the six Land-Grant Colleges is well known to many of you. Ray Tremblay of Vermont has recently published a study they made of the effects of such planning on income. It is entitled "Planned Farming Pays," Vermont Agricultural Experiment Station Bulletin 589, May 1956.

Guides to Farming. Another progress report is now available from L. C. Cunningham of New York on the study of farm expenses in the central plain region of that State. It is AE 1035, entitled "Guides to Farming." The report is of particular interest to farm management men from the standpoint of its analysis of size of business to labor output and power and machinery expense per man.

Price and the Future of U. S. Cotton, National Cotton Council of America, Memphis, Tenn. This bulletin takes a look at the market for cotton, its competitors, and the opportunity to enlarge the market by price changes. It also treats rather extensively the costs of producing cotton and the opportunity for further efficiencies.

A Balanced U. S. Agriculture in 1965, National Planning Association, Washington, D. C., Special Report No. 42, price 35 cents. This report was written by John D. Black and James T. Bonnen. This report makes projections of the consumption of production and consumption of products in aggregates and individual commodities. This would seem a "must" for program projection activities.

Findings From Research on Meetings, U.S.D.A. Extension Service Circular No. 507. This summary of meeting research has implications for extension workers. It indicates the effectiveness of many of the methods we use to reach people. One study indicates that the controllable factors played the biggest role in determining meeting attendance and uncontrollable factors a small role. It also indicated attendance was in direct proportion to effort expended.

#### Personnel Notes

V. E. "Gene" Ross, farm management specialist in Connecticut, has decided to return to his native State of Tennessee for similar work. He will be associated with Mallory Thorpe, and will undoubtedly take an active part in farm and home development work.

Marvin Kottke, Connecticut, who has been devoting full time to extension work in farm management this past year, will be shifting to a research assignment for the next fiscal year.

R. D. McKinney, who has been in farm management extension in Kansas, is shifting to a full-time research and teaching assignment in farm management at Kansas State. Ray tells us that he also intends to take work toward a PHd. Although we hate to



see Ray leave extension work, we realize that research and teaching need good men too. Perhaps we can woo him back sometime.

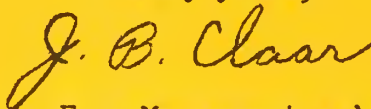
H. C. "Steve" Love, farm management extension man in Kansas who has been on a year's leave to work on a PhD at Iowa State, has returned to his desk at Kansas with most of his work for the degree finished. Nice going, Steve!

P. P. Dorner, farm management extension man in Wisconsin, has gone to Harvard on 2 years' leave to work on his doctor's degree. Good luck, Pete!

W. L. "Bill" Turner of North Carolina is leader of the farm management group in Extension in that State since M. S. "Moe" Williams has become economist for the National Plant Food Institute.

J. L. Robinson - back on the job. I know that all of you will rejoice with us that Jim Robinson is now back at his desk in our shop full time. His heart flare-up dictated 10 weeks rest but he looks fit now and ready to take on a full load of work.

Sincerely yours,



Farm Management and Production Economics Branch

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Enclosure